element of a case. The questions of misrepresentation and damage can raise difficult questions of fact and law.

3. GOODWILL

[1-20]

The plaintiff's reputation or goodwill may be known to the public via various badges of recognition. This may take the form of a name, word, a device or a particular get-up of the goods. Anything distinctive of the plaintiff's goods or services may suffice for a badge of recognition. There is no reason, in principle, why a distinctive aroma or sound might not qualify as a form of badge of recognition, through the vehicle of which, reputation is proven.

[1-21]

Goodwill was described by Lord Macnaghten in *The Commissioners of Inland Revenue v Muller & Co's Margarine Ltd*[22] (at pp 223–224) in the following terms:

> It ... is the benefit and advantage of the good name, reputation, and connection of a business. It is the attractive force which brings in custom. It is the one thing that distinguishes an old-established business from a new business at its first start ... However widely extended or diffused its influence may be, goodwill is worth nothing unless it has the power of attraction sufficient to bring customers home to the source from which it emanates.

Although a tax case, this case is often cited in passing off cases. The plaintiff must prove a sufficient reputation in the minds of the public as a prerequisite to establishing the necessary degree of deception or confusion to establish a misrepresentation and damage.

3.1 Relevant sector of the public

[1-22]

Determining the relevant sector of the public for the purpose of assessing reputation and potential confusion should be approached from the point of view of the users of the services or the buyers of the goods (as the case may be) offered by the plaintiff in question.[23]

3.2 Non-trading organisations

[1-23]

In general, in order to establish goodwill, the plaintiff must be involved, to some degree, in commercial activity. Trade Associations may bring passing off actions that protect the goodwill of the association.[24] However,

22 *The Commissioners of Inland Revenue v Muller & Co's Margarine Ltd* [1901] AC 217.

23 *The Chamber of Hong Kong Computer Industry Co Ltd v Hong Kong Computer Association Ltd* [2013] HKCFI 2071, [2013] HKCU 2805 (CFI).

24 *Lagos Chamber of Commerce Incorp v Registrar of Companies and Association of Merchants and Industrialists* (1955) 72 RPC 263 (PC). See for example, the *Law*

if they are seeking to protect the goodwill of their individual members, they may not have standing to sue and action will need to be taken by the member individually.[25] It has also been held that political parties,[26] charities,[27] churches[28] and schools[29] all have protectable reputations.

[1-24]
With regard to charities in Hong Kong, *The General of the Salvation Army v Hong Kong Cat Salvation Army*,[30] on an unsuccessful summary judgment application, the court was willing to assume that the Salvation Army had a protectable reputation (without deciding if it did). The Court of Appeal accepted this assumption also without deciding the point. In *Operation Smile Inc v Beam International Foundation,*[31] judgement was entered for the Plaintiff, a charity, against the Defendant, also a charity. The Defendant accepted in this case that a charity could bring an action for passing off.

3.3 Extended passing off

[1-25]
Passing off actions may also be brought by a member or members of a group to protect a name or term that has become associated with the members of that group. *Erven Warnink v Townend*,[32] where Lord Diplock set out his oft-cited test for passing off was a case of extended passing off. In that case, the plaintiff was a producer of Advocaat, an egg and spirit liqueur made in the Netherlands. In *Bollinger and Taittinger SA v Allbev Ltd*,[33] the Plaintiffs were producers from the Champagne region of France seeking to stop the use of 'Champagne' for sparkling wine not sourced from that region. In *Chocosuisse Union des Fabricants Suisse de Chocolat v*

Society for England & Wales v Society of Lawyers [1996] FSR 739.

25 *Chocosuisse Union des Fabricants Suisse de Chocolat v Cadbury Ltd* [1999] RPC 826 (CA, Eng).

26 In *Kean v McGivan* [1982] FSR 119, the English Court of Appeal refused a remedy in passing off to the Social Democratic Party on the basis that it was not involved in commercial activity to the extent required to find a passing off action. This case was however distinguished by the English Court of Appeal in *Burge v Hancock* [2002] RPC 2 which held that there was no legal principle that political parties could not have goodwill.

27 *Dr Barnado's Homes v Barnardo Amalgamated Industries Ltd* (1949) 66 RPC 103; *The British Diabetic Association v The Diabetic Society* [1996] FSR 1. Both cases applied in *Celestial Church of Christ, Edward Street Parish (A Charity) v Lawson* [2017] EWHC 97 (Ch) (27 January 2017). See the following paragraph for a discussion of Hong Kong cases.

28 *Holy Apostolic and Catholic Church of the East (Assyrian) Aust NSW Parish Assoc v Attorney General (NSW)* (1989) 16 IPR 619.

29 *Pei Zheng Middle School & Anor v China Pui Ching Educational Foundation Ltd & Ors* [2010] HKCU 953 (unreported, HCA 946/2003, 30 April 2010) (CFI).

30 *The General of the Salvation Army v Hong Kong Cat Salvation Army* [2004] 1 HKC 1 (CFI), [2004] 3 HKLRD 133, [2004] 3 HKC 144 (CA).

31 *Operation Smile Inc v Beam International Foundation* [2018] 1 HKLRD 120, [2017] HKCU 3080 (CFI).

32 *Erven Warnink v Townend* [1979] AC 731.

33 *Taittinger SA v Allbev Ltd* [1993] FSR 641.

Cadbury Ltd[34] the Plaintiff represented Swiss chocolate manufacturers seeking to stop the use of the name 'Swiss Chalet' for chocolate that was not made in Switzerland. The principles to be applied in extended passing off cases are the same as those in any other passing off case.[35] In particular the plaintiff(s) must establish: (1) goodwill in the name that they are seeking to protect such that consumers associate the name with the class of traders who deal with the products or services; and, (2) that the name used has goodwill (ie is the attractive force leading consumers to buy the product or service).[36]

3.4 International reputation

[1-26]
A very common question in Hong Kong is to what extent reputation or goodwill generated overseas can be used to support an action for passing off in Hong Kong. Hong Kong is an international trading and tourism centre. It also borders the Guangdong Province of China where many mainland Chinese brands are well known. Because of this, Hong Kong courts have generally been willing to recognise that goodwill generated overseas can found an action in passing off in Hong Kong. The question arises in cases where the plaintiff can show no goodwill in Hong Kong or wishes to supplement their evidence of goodwill generated in Hong Kong with international goodwill.[37]

[1-27]
In May 2015, the UK Supreme Court in *Starbucks (HK) Ltd & Anor v British Sky Broadcasting Group plc & Ors*[38] decided that goodwill generated outside the UK (in this case goodwill generated in Hong Kong) was not sufficient to found an action in passing off in the United Kingdom. It has already been argued (but not decided) that the decision in Starbucks should be applied in Hong Kong.[39] It is respectfully suggested that Starbucks should not be applied in Hong Kong. However, before considering the question, it is useful to consider the decisions of the Hong

34 *Chocosuisse Union des Fabricants Suisse de Chocolat v Cadbury Ltd* [1999] RPC 826 (CA, Eng).

35 *Diageo North America Inc v Intercontinental Brands (ICB) Ltd* [2010] EWCA Civ 920, [2011] RPC 2, per Patten LJ at para 23.

36 See the decision of Judge Hacon in *The Military Mutual Ltd v Police Mutual Assurance Society Ltd & Ors* [2018] EWHC 1575 (IPEC) for a detailed survey of the law of extended passing off.

37 As will be discussed below at **[1-32]** in relation to the *Cipriani* case, there are also cases, particularly in the days of the internet, where a company with no actual business presence in Hong Kong can directly generate goodwill in Hong Kong by, for example, marketing to and taking bookings from customers in Hong Kong.

38 *Starbucks (HK) Ltd & Anor v British Sky Broadcasting Group plc & Ors* [2015] UKSC 31.

39 See *Capital Dynamics Sdn Bhd v Capital Dynamics Holding AG* [2015] HKCFI 946, [2015] HKCU 1267 (CFI) at paras 45–47. See also the decision of Au Yeung J in *International Hotel Investments Inc v Jet Union Development Ltd* [2015] HKCFI 1979, [2015] HKCU 2593 (CFI) where she said it was arguable that Hong Kong recognises international goodwill but applied the test in para 53 of *Starbucks*.

Kong courts to date on the question of international goodwill.

[1-28]
In *Wienerwald Holdings AG v Kwan Wong Tan & Fong*,[40] Leonard J considered various authorities from overseas jurisdictions and concluded that goodwill generated outside Hong Kong could found an action in passing off. In that case, he decided on the facts that there was not, however, sufficient evidence of goodwill in Hong Kong to grant summary judgment.

In *Hong Kong Caterers Ltd v Maxims Ltd*,[41] Hunter J said:

> In essence the issue is whether the existence of a trading reputation within the jurisdiction of the relevant court is a pure question of fact; or whether the law has regard only to a relevant reputation, namely one which exists in fact and is manifested locally by an actual commercial presence or actual customers. Another way of phrasing the issue is to ask at what point in its development will the courts of Hong Kong recognise an existing or developing international reputation.

After reviewing a number of authorities, he held:

> It therefore seems to me right in Hong Kong to treat the existence of a trading reputation, for both trade mark and passing off purposes, as a question of pure fact to be determined on the evidence as a whole.

[1-29]
Sears J followed this decision in *Ten-ichi Company Ltd v Jancar Ltd*,[42] where he said [at para 11]:

> It appears clear that this is an evolving field of law, and that a Court must respond to the changes which have occurred in international communications. The large number of tourists crossing and re-crossing national boundaries; the speed and efficiency of modern technology cause business reputation to be more widely spread and recognised than in the past. Courts in other jurisdictions have responded to the change – see for example *Orkin Exterminating Co Inc v Pestco of Canada* (1985) 19 DLR 90 and *Dominion Rent A Car Ltd v Budget Rent A Car Systems* (1987) 2 NZLR 395.

[1-30]
In *Harbour Fit Industrial Ltd v Tan Kwai Garden Seafood Restaurant*,[43] Saunders DHCJ considered the case where a restaurant in Shenzhen brought a claim for passing off in Hong Kong based on its reputation in Shenzhen. After citing *Ten-Ichi*, he held:

> The situation of the relationship between Australia and New Zealand is particularly instructive in this respect. There, like the relationship between the

40 *Wienerwald Holdings AG v Kwan Wong Tan & Fong* [1979] FSR 381, [1979] HKC 232 (HC).
41 *Hong Kong Caterers Ltd v Maxims Ltd* [1983] HKLR 287, [1983] HKCU 19 (HC).
42 *Ten-ichi Company Ltd v Jancar Ltd* [1990] FSR 151, [1989] 2 HKC 330 (HC).
43 *Harbour Fit Industrial Ltd v Tan Kwai Garden Seafood Restaurant* [2002] 2 HKC 487 (CFI).

> Hong Kong Special Administrative Region and Shenzhen there is a ready, easy and regular flow of people between the two jurisdictions, albeit requiring air travel, rather than the Kowloon Canton Railway [now, the MTR East Rail line]. The courts of both countries have been ready and willing to protect the goodwill in one country of a trader in the other, with customers, but no physical business presence in the first country. Examples are to be found in *Fletcher Challenge v Fletcher Challenge* [1981] 1 NSWLR 196, and *Dominion Rent a Car Systems v Budget Rent a Car Systems* [1987] 2 NZLR 395 (CA, NZ).

[1-31]
Moreover, just because a business does not have a physical presence in Hong Kong does not mean that it does not generate business (and hence goodwill) in Hong Kong. In *Caesars World Inc v Delman Co Ltd*,[44] the plaintiff operated casinos under the name Caesars Palace in the United States of America. Casino gambling is illegal in Hong Kong and, accordingly, they did not operate any casinos in Hong Kong. In 1987, it was discovered that the defendant intended to open a nightclub in the Miramar Hotel Centre called 'Caesars Palace'. The plaintiff had opened an office in Hong Kong to market to potential customers and would fly some customers for free to America to gamble. Relying on the decision of Oliver LJ in *Anheuser-Busch v Budejovicky Budvar NP*[45] and in particular on *Sheraton Corporation of America v Sheraton Motels Ltd*[46] which had been cited by Oliver LJ, Mayo J held that the plaintiff had sufficiently established they had goodwill in Hong Kong.

[1-32]
The same principles have been applied more recently in England. In *Hotel Cipriani Srl v Cipriani (Grosvenor Street) Ltd*,[47] the plaintiff owned and operated the famous 'Hotel Cipriani' in Venice and related restaurants in Lisbon and Madeira. The first defendant had since 2004 operated a restaurant Cipriani London in UK (which was commonly referred to simply as 'Cipriani') and the second defendant's name was Cipriani who was the sole director of the first defendant. Dismissing the defendant's appeal, the Court of Appeal (UK) held that the trial judge had been correct in his conclusion that the claim in passing off had succeeded. Despite the plaintiff being a foreign business, it did have goodwill in the UK at the relevant time of passing off (ie 2004). The plaintiff had a substantial body of customers from England as a result of its marketing efforts directed to the relevant public there, and a significant volume of business came directly from the UK. On that basis it was clear that the international reputation of Hotel Cipriani, and the use of the mark CIPRIANI was something that brought in business from England and was protectable. On the other hand,

44 *Caesars World Inc v Delman Co Ltd* [1988] HKC 421 (HC).
45 *Anheuser-Busch v Budejovicky Budvar NP* [1979] RPC 441.
46 *Sheraton Corporation of America v Sheraton Motels Ltd* [1964] RPC 202. It should be noted that Lord Oliver had described the *Sheraton* case as 'a somewhat slender authority'.
47 *Hotel Cipriani Srl v Cipriani (Grosvenor Street) Ltd* [2010] RPC 16.

though the defendants owned Cipriani restaurants in New York, there was no evidence of their having been patronised by significant numbers of British tourists at the material time.

[1-33]
In *Capital Dynamics Sdn Bhd v Capital Dynamics Holding AG*,[48] Deputy High Court Judge Manzoni SC emphasised, however, that the *Cipriani* case did not stand for the proposition that the existence of customers in Hong Kong was conclusive of goodwill. He cited with approval the decision of the Trademarks Registry under appeal that:

> The Hong Kong courts have however approached the issue of goodwill as a question of fact to be determined based on the evidence as a whole in each case. That said, whether the plaintiff has customers in Hong Kong, the promotion and marketing efforts of the plaintiff and the extent of its reputation in Hong Kong are important factors that the courts would take into account when determining the issue of goodwill.

Manzoni DHCJ held that this was consistent with Hunter J's decision in *Hong Kong Caterers Ltd v Maxim's Ltd*. As noted above, he left for later determination the question of whether the *Starbucks* case should be followed in Hong Kong.

3.5 The *Starbucks* decision

[1-34]
In the *Starbucks* case, the UK Supreme Court had to decide whether a claimant in a passing off case need only establish a reputation among a significant section of the public within the jurisdiction, or whether such a claimant must also establish a business with customers within the jurisdiction. The Supreme Court noted that 'it is an issue in which there is conflicting jurisprudence in the common law world, and it is of particularly acute significance in the age of global electronic communication.'

[1-35]
The specific facts for the case were that Starbucks and PCCW Media Ltd (collectively referred to as 'PCCM') in Hong Kong were the owners of the brand NOW TV. NOW TV was broadcast in Hong Kong to over 1.2m subscribers. No one in the UK could receive NOW TV and there was no evidence of any subscribers using credit cards with UK billing addresses. PCCM did not have a Ofcom license to broadcast in the UK. A number of Chinese speakers in the UK were aware of NOW TV through exposure to it while residing in Hong Kong. In addition, since 2007, NOW TV's Chinese content had been available free of charge on PCCM's website; programmes and trailers were available for free on YouTube and a few programs had been available on international airlines, three of which flew into the UK. However, the inflight magazines made no reference to NOW

48 *Capital Dynamics Sdn Bhd v Capital Dynamics Holding AG* [2015] HKCFI 946, [2015] HKCU 1267 (CFI). *Caesars World Inc v Delman Co Ltd* [1988] HKC 421 (HC), discussed above, was not cited in the judgment.

TV. In June 2012, PCCM made an app available in the UK as a market test. By October 2012, 2,200 people in the UK had downloaded the app. BSkyB, in March 2012, launched an IPTV service under the name NOW TV. In April 2012, PCCM brought passing of proceedings in the UK to stop the use of the name NOW TV. The trial judge, Arnold J, found that PCCM had a modest reputation in the UK for NOW TV. The key question was whether the viewers of PCCM's programmes in the UK through YouTube were customers for the purposes of establishing goodwill. He held that they were not. 'PCCM's primary purpose in making programme content available via YouTube, its own websites and international airlines was to promote its Hong Kong business by encouraging people to subscribe in Hong Kong'. Therefore, he held that PCCM's 'customers were its viewers in Hong Kong, but not viewers in the UK', and so its 'business had goodwill in Hong Kong but not in the UK', so that the passing off claim failed. The Court of Appeal effectively agreed with Arnold J.

[1-36]
On appeal to the Supreme Court, the sole question was whether reputation in the United Kingdom was sufficient to establish goodwill or it was necessary for a plaintiff show that they had customers in the UK. The Supreme Court surveyed the law in the United Kingdom and various common law jurisdictions, and concluded per Lord Neueberger P [at 47]:

> Although I acknowledge that *PCCM's* case is not without force (as is well demonstrated by the reasoning in the judgments in *ConAgra*), I have reached the conclusion that this appeal should be dismissed on the same ground on which it was decided in the courts below. In other words, I consider that we should reaffirm that the law is that a claimant in a passing off claim must establish that it has actual goodwill in this jurisdiction, and that such goodwill involves the presence of clients or customers in the jurisdiction for the products or services in question. And, where the claimant's business is abroad, people who are in the jurisdiction, but who are not customers of the claimant in the jurisdiction, will not do, even if they are customers of the claimant when they go abroad.

In considering what amounts to sufficient business to generate goodwill, the Supreme Court in considering what constitutes a customer in the jurisdiction stated [at 52]:

> Thus, where the claimant's business is carried on abroad, it is not enough for a claimant to show that there are people in this jurisdiction who happen to be its customers when they are abroad. However, it could be enough if the claimant could show that there were people in this jurisdiction who, by booking with, or purchasing from, an entity in this country, obtained the right to receive the claimant's service abroad. And, in such a case, the entity need not be a part or branch of the claimant: it can be someone acting for or on behalf of the claimant.

[1-37]
In its consideration of the case law in Hong Kong, the UK Supreme Court noted that the *Ten-Ichi* case seemed to have held that mere reputation was

sufficient to found an action for passing off, but also noted that the Court of Final Appeal in *Re Ping An Securities Ltd*,[49] cited Lord Oliver in *Reckitt & Colman* to support the (admittedly undisputed) proposition that a plaintiff 'must establish a goodwill (in the country or region) in a business in the supply of goods or services under the relevant get-up in order to maintain a claim in passing off.' It is not clear why the Supreme Court cited the *Ping An* case in this way. The *Ping An* case was not decided on the basis of international reputation; indeed, it was decided specifically on the basis that *Ping An* had established sufficient goodwill in Hong Kong by trading in Hong Kong to establish passing off.[50]

[1-38]
It is submitted that the approach adopted by the Hong Kong courts to date, whereby foreign reputation can be a factor to establish goodwill in Hong Kong, is appropriate for Hong Kong given its geographic location and its role as an international trading and tourism centre. The mainland of China, Macao and Taiwan are all Chinese speaking jurisdictions and people regularly travel back and forth between all four places. As noted by Saunders DHCJ, it is only a short trip on the MTR East Rail Line to Shenzhen. Macau is a short ferry trip away and will soon be linked by a bridge to Hong Kong. Taiwan is a short flight way. Hong Kong is also an international tourist city and many tourists from around the world come to Hong Kong to buy genuine products and services. If it is necessary to show that there are actual customers in Hong Kong to establish goodwill, not all companies will be able to protect their reputation thereby allowing others to mislead tourists and visitors as to the source of the products or services. The approach adopted to date by the Hong Kong courts should, therefore, continue to be followed.[51]

3.6 Goodwill in new businesses

[1-39]
A question that can arise is whether a new business that has commenced advertising but not yet begun sales can have established goodwill. In England, an old decision of *Maxwell v Hogg*[52] held that extensive advertising did not establish goodwill until actual sales have occurred. The question was also considered by the UK Supreme Court in the *Starbucks* case.[53] After citing *Maxwell v Hogg,* the Supreme Court said that it was possible that extensive pre-launch advertising could be considered as an exception to the 'hard line' that there had to be sales before goodwill was established. The Supreme Court, however, did not consider it necessary to

49 *Re Ping An Securities Ltd* (2009) 12 HKCFAR 808, [2009] 4 HKC 332 (CFA) at para 17.
50 See, in particular, para 46 of the Court of Final Appeal decision.
51 It should, however, be noted that the Singapore Court of Appeal in *Staywell Hospitality Group Pty Ltd v Starwood Hotels & Resorts Worldwide Inc* [2013] SGCA 65, [2014] 1 SLR 911 has followed the strict approach that there must be customers in Singapore.
52 *Maxwell v Hogg* (1867) LR 2 Ch 37.
53 See para **[1-34].**